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21 JUN 1972

DDI-18529.2

MEMORANDUM FOR: Executive Director-Comptroller

THROUGH : Deputy Director for Intelligence

SUBJECT : Report of the Working Group on Contacts With
American Business Firms

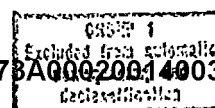
1. In accordance with your memorandum of 11 April 1972 a Working Group with representation from the four directorates has reviewed the ways in which CIA is in contact with American business firms and other organizations; how such contacts are recorded and "coordinated"; whether there is a need for improvement in these processes; and if so, how these improvements can be best accomplished.

2. In general, the Working Group found that:

- A. The essential problem should be defined as recording and "coordinating" CIA contacts with the "private sector."
- B. Virtually every CIA component is in contact with the "private sector" for purposes so varied as to make delimitation almost impossible; basically, however, the contacts fall into two categories: "administrative, contractual, and procurement" or "intelligence-operational."
- C. There is a relationship between the two categories of contacts and they are mutually supportive.
- D. The current system to record contacts is complex, decentralized and not well understood, but in general it works and is more or less adequate to meet the demands placed on it.

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3. The Working Group undertook as its first task, to recommend a system to record for identification purposes all CIA contacts with the "private sector." It found that:

- A. A single "point of information" might theoretically be feasible but would not be acceptable at this time.
- B. Three "points of information," the Office of Security, the Domestic Contact Service, and the Clandestine Service, will provide for adequate record purposes.
- C. Record decentralization within the Clandestine Service will require that a single point of contact be designated by the Deputy Director for Plans to serve as one of the three "points of information."
- D. A new Headquarters Regulation will be needed to designate the information and contact points and assign their responsibilities.

4. As a second task, the Working Group attempted to develop improved Agency "coordination" procedures. It reviewed CIA attitudes toward "coordination" and its practices; it conducted brief tests on two representative American companies to determine how "coordination" works; and it determined that:

A.

exists within CIA on "administrative, contractual, and procurement" activities, but relatively little between those involved in these missions and those making "intelligence-operational" contacts.

- B. Today's CIA "coordination" problem is troublesome but not serious -- DCS would prefer more "coordination"; the Clandestine Service feels that it is approaching the limit of what it can legitimately "coordinate"; other components range in their attitude from interested to neutral.

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- C. A revised Agency Regulation on "coordination" of "intelligence-operational" contacts is desirable, but no new "instruction" seems necessary on CIA contacts for "administrative, contractual and procurement" purposes.

5. The Working Group accomplished only part of what it was directed to do. It did not draft new Regulations on either task because the several fundamental and complex issues raised preclude the development of such drafts prior to resolution of differences among the directorates.

6. The last task set for the Working Group was to "develop recommendations for ways in which existing CIA relationships...can be utilized to assist other CIA elements in further negotiations or additional relationships..." The responsibility for utilizing existing Agency relationships with the "private sector" to assist other CIA elements is written into the basic missions of some CIA components. Their efforts to accomplish this mission are generally successful and are expanding. Better cooperation may be achieved, however, through improved and formalized "coordination" procedures.

7. The Working Group found (paragraph 4.B. above) that, "today's CIA 'coordination' problem is troublesome but not serious," but the mechanisms that seem adequate "today" may not suffice for tomorrow's problems.

8. There is need to examine the overall question of how CIA can adapt better to the explosive dynamics of the "private sector." CIA's traditional divisions of overt-covert, [redacted] intelligence-operations, etc. impede effective dealings with the "private sector." It is doubtful that CIA officers - whether they have spent their careers at Headquarters or have rotated to and from overseas posts - adequately understand the "private sector" and how to work in and with it. Better ways must be found to impart this knowledge and skill to them. These ways may involve personnel exchanges, rotation in and out of business, specific training, etc. The subject is one which a CIA forum much senior to the Working Group may wish to examine.

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9. Attached for your consideration is a paper summarizing the Working Group's findings as follows:

- A. Assumptions and General Conclusions
- B. Task 1, the "Records" Problem
- C. Task 2, the "Coordination" Problem

10. The Office of the General Counsel has expressed an interest in participating in any future policy discussions on these matters.

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ASSUMPTIONS AND GENERAL CONCLUSIONS

1. In order to undertake the tasks set for it by the Executive Director, the Working Group first asked itself some general questions, made certain assumptions, defined various terms of reference, and drew some general conclusions:

a. Which CIA Offices and representatives make contacts?

Those CIA components listed in paragraph 1 of the Executive Director's 11 April 1972 memorandum make most of CIA's contacts with American business firms, academic institutions, etc., but virtually every Agency office makes and maintains some contacts for its own purposes.

b. With whom are they in contact?

CIA representatives are in touch with so many different organizations in so many different ways that to consider only contacts with "American business firms, academic institutions, etc." is probably too limited. The essential problem should be defined as contacts with the "private sector"*. The term "private sector" should be understood to include at least:

- (1) academic institutions
- (2) business and industrial firms
- (3) charitable, social and religious organizations
- (4) labor, political and professional institutions
- (5) research and development organizations
- (6) unaffiliated and self-employed individuals

* The Domestic Contact Service (DCS) believes that even the term "private sector" is too narrow. DCS has some of the same responsibilities for contact with non-USIB governmental departments and agencies as it has for the "private sector" and finds that the problems are similar. CIA contacts with these departments and agencies are largely unrecorded, uncoordinated, and proliferating. The Working Group, however, did not discuss this problem.

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c. What kinds of contacts do they make?

CIA representatives are in contact with the "private sector":

- (1) as identified representatives of CIA or under some form of cover
- (2) under true name or alias
- (3) on CIA business or in a private or personal capacity
- (4) on a classified or unclassified basis
- (5) with prior approval (clearance) or without prior approval
- (6) with prior "coordination" or without "coordination"
- (7) regularly and repetitively or on an ad hoc, one-time or special basis
- (8) after careful preparation and introduction or spontaneously
- (9) with tailored requirements covering a specific event, individual or subject or in a general, exploratory, developmental context
- (10) on matters of little import or on those of the greatest sensitivity and priority
- (11) at a high level or at the "working" level
- (12) in person, by phone and via written communication
- (13) in outside locations or within Agency premises
- (14) in the United States or overseas

d. Why do they make these contacts? Are their purposes related?

CIA contacts with the "private sector" fall generally into two categories: "administrative, contractual, and procurement" or "intelligence-operational." The Working Group found it useful to expand these two categories somewhat to examine whether they are related:

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(1) "administrative, contractual, procurement"

- contractual services
- fiscal services
- legal consultation and services
- logistical services
- medical consultation and services
- personnel investigation
- personnel recruitment
- procurement of goods and services
- public and press relations
- research and development
- training

(2) "intelligence-operational"

- analysis
- collection
- operations
- support
 - intelligence
 - operations

A plausible argument can be advanced that CIA contacts made for "administrative, contractual and procurement" purposes are much like those made by any organization, private or government; that they are nondisruptive; and that they are unrelated to contacts made for "intelligence-operational" purposes.

These two categories may not be regarded as mutually exclusive. The activities listed under column (1) are in support of the "intelligence-operational" missions of the Agency; may be as sensitive as any which CIA conducts; and may duplicate relationships which are carried on for "intelligence-operational" purposes. CIA may, for example, establish legal and fiscal relationships for either of the two general reasons cited, or both; public and press relationships really belong in both columns; and CIA is in contact for "intelligence-operational" purposes with organizations and individuals who serve as contractors and consultants to the Agency, sell to it, maintain its equipment, and assist its training efforts.

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Any contact CIA representatives make, even for the most mundane reason, attracts unusual interest, because CIA is different from any other US institution. The "private sector" expects something unusual from CIA; it expects better performance and it expects tight, secure management. Thus, a contract sloppily handled can adversely affect a subsequent request for "intelligence-operational" assistance, and an "intelligence-operational" approach improperly made can affect other relationships.

We can, then, note differences in the reasons for which CIA contacts the "private sector," but we should recognize that all CIA contacts may be interrelated and mutually supportive.

e. What is the current system to record contacts?

The current system is so complex, decentralized, and frequently redundant that it is not well understood. In general, however:

(1) The Support Directorate includes two components of major importance in the current system:

- (a) The Office of Security (OS) has the greatest number of Agency files on individuals but OS records are useful primarily as an index to presumptive contacts. OS roughly estimates that its records reflect no more than 80% of the contacts with individuals in the "private sector" with whom Agency representatives are conducting significant, substantive discussions of a classified nature.

OS cannot easily (mechanically) respond to a question such as the "clearance status of all CIA contacts at ITT?"

OS can provide leads or indicators to the Agency components which have expressed an interest in an individual but OS records usually do not reflect details on the exact nature or extent of the interest or on whether a contact has actually taken place.

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OS follows need-to-know and compartmentation guidelines; it does not release information to other Agency components on individuals who are of operational interest to the Clandestine Service. When a requirement is received from one CIA component on an individual previously cleared by another, an OS supervisor normally notifies the component requesting clearance of the previous interest. OS does not, however, enforce discussion or "coordination" between the components.

- (b) The Office of Logistics (OL) maintains records on current contractors with whom Director of Central Intelligence funds are expended. OL records include data on some 1,900 firms and 7-8,000 individuals. (The vast majority of the individuals are cleared and thus, also on record in OS.) OL has an up-to-date 3x5 card file which is used to answer inquiries as to whether the Agency has a relationship with a particular organization. A complete list of Agency contracts is maintained alphabetically by organization which includes the contract number, interested Agency components, and in many cases, the name of the principal Agency contact.

OL and the Office of Computer Services are cooperating in the development of a computerized capability which would provide data on all organizations with which OL has contracts and list basic data about the contract and senior personnel working on it.

- (2) The primary Intelligence Directorate records on contacts with the "private sector" are maintained by DCS, but DCS is not an Intelligence Directorate records center. DCS is responsible under DCID 2/3 "to maintain a Central Index



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made by CS personnel is decentralized. Records exist in separate points maintained by [redacted] field stations, by headquarters desks, branches, divisions and staffs, and by certain senior officers on an "Eyes Only" basis. Selected data from these numerous record points are centralized for various purposes in several repositories containing data on many, but never all, CS contacts with the "private sector." The most significant are:

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- (b) CCS maintains records of the contacts which its officers make with American business organizations and with certain self-employed individuals. Additionally, it attempts with limited success to record domestic and foreign contacts with American business firms made by other CS components. Because the cover function is primarily concerned with organizations, records are kept and indexed by organizational name permitting prompt response to queries posed in organizational terms. Accuracy, however, is generally limited to contacts made by CCS.



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- (4) Records reflecting S&T Directorate contacts with the "private sector" exist primarily in OS and OL. The computerized Contract Information System is maintained

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by the directorate to coordinate research and development efforts. It lists existing contracts and contractors as do OL files and contains other data of interest to technical officers such as the technical field of the contract.

f. How does the current system work?

(1) The current system has some built-in characteristics which will probably be difficult to eliminate under almost any circumstance:

(a) The nature of a question frequently determines how the system is exploited - If a question concerns Latin America, the questioner may instinctively contact WH Division, DD/P, rather than follow a prescribed other route to the answer.

(b) The wrong component is sometimes asked to answer a question - If the requester is of sufficient stature he will get his answer, anyway, but perhaps at the expense of considerable waste motion. It was natural to ask WH Division questions about the

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(c) The level at which a question originates determines a great deal about the way in which it is handled - A question asked at the office director/division chief level or above frequently assumes the proportions of a "flap" at the working level. Even casual inquiries may be blown out of all reasonable perspective if they are asked by a high official. For example, if the Director asks a question at a morning meeting all four directorates may be tasked to find the answer. The effort expended will then assume priorities that no CCPC directive could achieve.

(2) In general, the current system works well and is more or less adequate to meet the demands placed on it. It is however, cumbersome, duplicative and time consuming.

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TASK 1 - "To recommend a system by which information as to all CIA contacts with American business firms, academic institutions, etc. can be identified at a maximum of three points of information within CIA..."

2. The Working Group seriously considered a single "point of information" within the Agency. After lengthy discussion and consultation, however, it found that while a single "point" may be theoretically feasible, it is not acceptable at this time. The history, traditions, structure and missions of the Agency all militate against a single "point." The Working Group concluded that CIA contacts with the "private sector" cannot be identified by checking at less than "three points of information," but that additional points are not necessary. The essential elements of the system are the security files, the files on domestic contacts, and the files of the Clandestine Service.

3. The security files maintained by OS record the greatest number of individuals in contact with or being contacted by CIA. These files were established, however, to record information on security status and file utility for other purposes is limited. OS has records primarily on those individuals previously cleared or being cleared, does not know if a contact has occurred, and presently cannot readily answer questions based on organizational affiliation.

4. DCS records on domestic contacts materially augment the OS data base. DCS' organizational files and its information on individuals who have been contacted but not name-checked complement the OS records. DCS can answer many questions which OS cannot because DCS is a focal point for contacts with the "private sector" in the United States. - (DCS representatives make roughly 750-1,250 of these contacts each week.)

5. No reasonable alternative to a third "point of information" can be identified as long as the CS retains control over information that could be used to frustrate its mission and judges "need-to-know" before releasing any data item to others. A CS "point of information," however, will not insure access to all records of CS contact with the "private sector." Compartmentation of data is maintained rigorously within the CS and reports of contacts in a sensitive operational context are sometimes tightly controlled. It will be necessary, therefore, for the DDP to identify a point of contact with authorized access to decentralized CS records to respond to queries.

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6. If the Executive Director and the Deputy Directors accept the Working Group's conclusions about this task a new Headquarter's Regulation will be required to:

- a. designate the "three points of information"
- b. define and assign their responsibilities
- c. order "inputs" to them
- d. instruct how to use them

Much additional information and various decisions at the directorate level will be necessary before such a Regulation can be prepared. The Working Group has not, therefore, attempted to draft one at this time.

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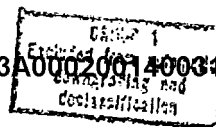
TASK 2 - "Review the need for an improved procedure for the coordination of CIA contacts with American business firms; develop a draft instruction by the Executive Director requiring a check...prior to initiating contact with an American business firm or institution, with appropriate coordination with offices already in contact with the firm or institution in question."

7. Task 2 is infinitely more complex than Task 1. The unique characteristics of CIA, its compartmentation and security problems and its differing traditions and practices, at least between the Clandestine Service and the other directorates, all affect the problem.

8. "Coordination" as a term and a procedure, is viewed very differently by Agency officers depending on where they sit. To some, "coordination" is a positive term implying close cooperation and acting as "one Agency" to enhance CIA's image, induce cooperation, and improve security. To others, "coordination" is almost a pejorative term. They would argue that CIA is not "one Agency"; and to insist that it is, is to mix apples and oranges. Viewed from this perspective, "coordination" may be unwise and even detrimental.

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"Coordination" is facilitated by close relationship and mutual, constructive experience. The present system is highly informal and might be described as "reasonable men of good will sitting down to talk with each other when they see a need." The system does work when such men are informed of each other's objectives and mindful of the common interests that bind the Agency together. It breaks down when these conditions do not obtain.

- c. The Support Directorate view is one of relative neutrality between the two extremes. OS normally functions as a reference point, advising one CIA component that another already has a clearance, name check or other approval; but OS attempts to avoid being caught in the middle in a "coordination" argument over which operating division has primacy in the use of an individual. OS has taken the position that it can appropriately check its records in order to determine whether there is an existing record of clearance or a security file but does not take a position on the value of "coordination." OS is strongly opposed to assuming responsibility for "coordination," on the grounds that this does not come within the basic purview of the OS charter.
- d. The S&T Directorate has no serious reservations about coordinating its contacts for "intelligence-operational" purposes. Analyst contacts with the domestic "private sector"



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"Administrative, Contractual, and Procurement Coordination"

10. "Coordination" of CIA "administrative, contractual, and procurement" relationships is quite a different issue and one much less charged with emotion. Most of these Agency relationships are handled ably and routinely and "coordination" is reasonably well in hand. There are some problems, however:

- a. For lack of "coordination" and because of compartmentation, different Agency components have sometimes contracted separately with the same organization for essentially the same item.

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- b. Repeated "uncoordinated" dealings with and visits to CIA by outside individuals are incipient security problems, the antithesis of compartmentation. Business representatives touching base with different components can learn more about CIA needs and programs than the officers know with whom they are dealing and management consultants doing repetitive studies on various CIA elements can develop an unusually thorough knowledge of the Agency.

11. The S&T and Support Directorates, which share most of the responsibility for CIA "administrative, contractual, and procurement" contacts with the "private sector" understand their "coordination" problems; security and compartmentation requirements do not preclude "coordination," and what is needed is already going on - continuing attention, education and policing of those involved. For example:

- a. Contacts for most "administrative, contractual, and procurement" purposes are cleared in advance - requires "...all headquarters personnel" to "consult with the security staff, Office of Logistics, before initiating any form of contact with commercial firms, universities or institutions when the purpose of the contacts is possible or contemplated Agency procurement contracts whether classified or unclassified. This "coordination" is essential to prevent the compromise of existing Agency contracts of a sensitive or classified nature..."; and
- b. Plans are underway to establish contact and proposal files so that each CIA representative who receives a prospective contractor or vendor will have prior knowledge of other CIA contacts and conversations the individual has had, even on a "same day" basis.

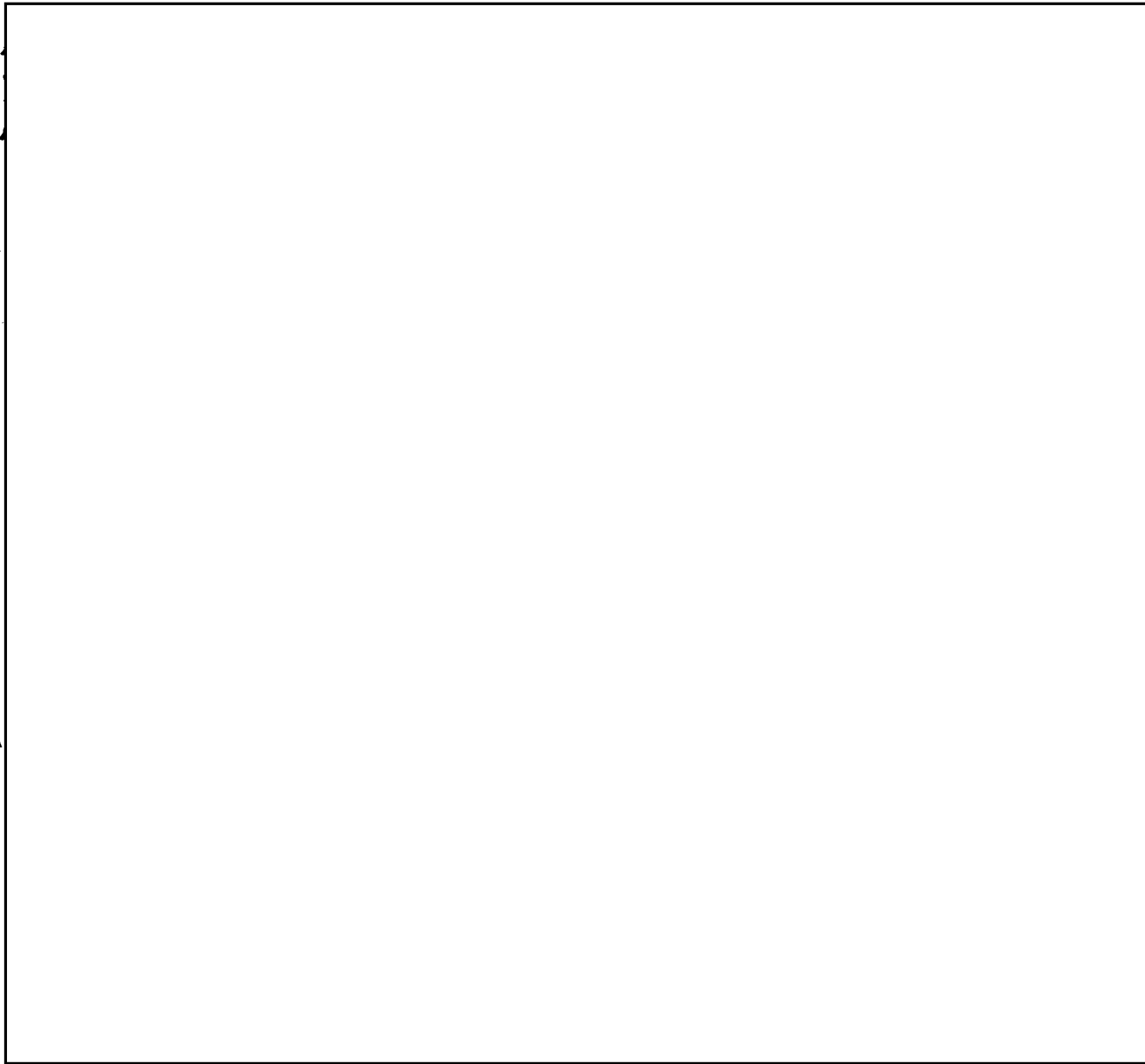
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12. There is some cross-fertilization between those involved in "intelligence-operational" and "administrative, contractual, and procurement" processes. OSI, for example, regularly provides copies of its external contracts for DCS' information. The DCS officer dealing with a company holding CIA contracts feels that he should at least know of the company-CIA relationships. He would like to capitalize on the fact, i.e. extract greater cooperation as a consequence of the contract but there are both ethical and practical objections to trying to utilize "administrative, contractual, and procurement" relationships to enhance "intelligence-operational" cooperation.

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CIA officers generally understand that a company in contracting to assist Agency R&D is not contracting to assist for "intelligence-operational" purposes, although some contractors have tried to charge for "intelligence-operational" cooperation under terms of an R&D contract.



c. A high degree of "coordination" is being accomplished among those making contacts for "administrative, contractual, and procurement" purposes.

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- d. Relatively little "coordination" is being accomplished between those Agency components conducting "administrative, contractual, and procurement" missions and those carrying-on "intelligence-operational" activity.

15. The Working Group did not reach any unanimous judgements on whether there is too little, about enough, or too much "coordination"; it believes that to date the CIA "coordination" problem is troublesome but not as serious as some might argue. The utility of CIA records and the extent to which they are being used are impressive.

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- a.
sector and seeks through its programs to encourage it; the Clandestine Service recognizes that there may still be room for improvement but feels that it is approaching the practical limit of what it can legitimately "coordinate."
- b. DCS is concerned about the low level of "coordination" on overseas "intelligence-operational" contacts, because of the possibility that these are in violation of commitments it has made to US domestic organizations; the CS for the most part, does not share this concern because many of its overseas contacts are based primarily on the personal activity of the individuals contacted rather than on their organizational affiliation. A solution to this problem which would satisfy DCS is particularly difficult because of distance and communication problems.
- c. Even the high degree of "coordination" among those making contacts for "administrative, contractual, and procurement" purposes may not be sufficient to protect CIA from adverse publicity, congressional criticism, etc.; nevertheless, plans underway to improve and tighten current procedures and standards should be encouraged.
- d. The limited "coordination" between those involved in "administrative, contractual, and procurement" missions and those carrying-on "intelligence-operational" activity is not seen as a significant problem by any member of the Working Group. Improvements are probably desirable and may result from better understanding of the missions and capabilities of various CIA components.

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16. The Working Group did not develop a "draft instruction" on "an improved procedure for the coordination of CIA contacts" with the "private sector."

a. A revised Agency Regulation on [redacted] is desirable, but agreement among the directorates is required, before it will be practical to draft such a Regulation.

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b. No new "instruction" seems necessary on "coordination" of CIA contacts for "administrative, contractual, and procurement" purposes; [redacted] the Project Officers Manual, and the developments which the R&D Coordinator is evaluating (see 11.b. above) seem adequate.

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c. If a revised Agency Regulation is deemed appropriate, it should treat the desirability of "coordination" between those involved in "administrative, contractual, and procurement" missions [redacted]

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